

OPEN MEETING ITEM



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COMMISSIONERS  
KRISTIN K. MAYES - Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP



ORIGINAL

EXECUTIVE DIRECTOR

ARIZONA CORPORATION COMMISSION

200 OCT 29 P 1:03

AZ CORP COMMISSION  
DOCKET CONTROL

DATE: OCTOBER 29, 2010

DOCKET NO.: W-04081A-10-0173

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Belinda A. Martin. The recommendation has been filed in the form of an Order on:

WINCHESTER WATER COMPANY, LLC  
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

NOVEMBER 8, 2010

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

NOVEMBER 22, 2010 and NOVEMBER 23, 2010

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission  
DOCKETED

OCT 29 2010



ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347  
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This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 KRISTIN K. MAYES, Chairman  
4 GARY PIERCE  
5 PAUL NEWMAN  
6 SANDRA D. KENNEDY  
7 BOB STUMP

8 IN THE MATTER OF THE APPLICATION OF  
9 WINCHESTER WATER COMPANY, LLC, FOR A  
10 PERMANENT RATE INCREASE.

DOCKET NO. W-04081A-10-0173

DECISION NO. \_\_\_\_\_

11 **ORDER**

12 Open Meeting  
13 November 22 and 23, 2010  
14 Phoenix, Arizona

15 **BY THE COMMISSION:**

16 Having considered the entire record herein and being fully advised in the premises, the  
17 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

18 **PROCEDURAL HISTORY**

19 1. Pursuant to authority granted by the Commission, Winchester Water Company, LLC  
20 ("Winchester" or "Company") is an Arizona limited liability company engaged in the business of  
21 providing water utility service to 137 customers in an unincorporated area near the City of Willcox,  
22 Cochise County, Arizona. Winchester's present rates and charges for water were approved in  
23 Decision No. 70291 (April 24, 2008).

24 2. On May 5, 2010, Winchester filed with the Commission an application for a  
25 permanent rate increase ("Application").

26 3. On June 4 2010, the Commission's Utilities Division Staff ("Staff") notified the  
27 Company that its Application was insufficient under Arizona Administrative Code ("A.A.C.") R14-2-  
28 103, and provided the Company with Staff's first set of data requests.

On June 16, 2010, Winchester filed its responses to Staff's data requests and also filed  
its verification that the Company had mailed notice of the Application to its customers on June 8,  
2010. No customer comments were filed in response to the Company's notice.

5. On July 14, 2010, pursuant to A.A.C. R14-2-103, Staff issued a Letter of Sufficiency, classifying the Company as a Class E utility.

6. On September 15, 2010, Staff filed its Staff Report, recommending approval of the Application using Staff's recommended rates and charges.

### FINDINGS OF FACT

#### Rate Application

7. During the test year ended December 31, 2008, Winchester served 137 residential customers on 5/8" x 3/4" meters. Average and median water usage by residential customers during the test year were 10,454 gallons and 7,800 gallons per month, respectively.

8. The water rates and charges for Winchester at present, as proposed by Winchester in its Application, and as recommended by Staff in its Staff Report, are as follows:

	Present Rates	Proposed Rates Company	Proposed Rates Staff
<u>MONTHLY USAGE CHARGE:</u>			
5/8" x 3/4" Meter	\$12.00	\$15.95	\$13.50
3/4" Meter	18.00	21.95	20.25
1" Meter	30.00	30.00	33.75
1-1/2" Meter	60.00	60.00	67.50
2" Meter	96.00	96.00	108.00
3" Meter	192.00	192.00	216.00
4" Meter	300.00	300.00	337.50
6" Meter	600.00	600.00	675.00
<u>Gallons in Minimum</u>	0	0	0
<u>COMMODITY RATE CHARGE:</u>			
5/8" x 3/4" Meter			
0 - 3,000 gallons	\$0.80	\$1.95	\$1.00
3,001 - 10,000 gallons	1.25	2.55	1.90
Over 10,000 gallons	1.99	2.95	3.30
3/4" Meter			
0 - 3,000 gallons	0.80	1.95	1.00
3,001 to 10,000 gallons	1.25	2.55	1.90
Over 10,000 gallons	1.99	2.95	3.30
1" Meter			
0 - 20,000 gallons	1.25	2.55	1.90
Over 20,000 gallons	1.99	2.95	3.30
1-1/2" Meter			
0 - 55,000 gallons	1.25	2.55	
Over 55,000 gallons	1.99	2.95	

1	0 to 45,000 gallons			1.90
	Over 45,000 gallons			3.30
2	<u>2" Meter</u>			
3	0 -100,000 gallons	1.25	2.55	
	Over 100,000 gallons	1.99	2.95	
4	0 to 76,000 gallons			1.90
	Over 76,000 gallons			3.30
5	<u>3" Meter</u>			
6	0 -220,000 gallons	1.25	2.55	
	Over 220,000 gallons	1.99	2.95	
7	0 to 155,000 gallons			1.90
	Over 155,000 gallons			3.30
8	<u>4" Meter</u>			
9	0 -350,000 gallons	1.25	2.55	
	Over 350,000 gallons	1.99	2.95	
10	0 to 250,000 gallons			1.90
	Over 250,000 gallons			3.30
11	<u>6" Meter</u>			
12	0 - 730,000 gallons	1.25	2.55	
	Over 730,000 gallons	1.99	2.95	
13	0 to 500,000 gallons			1.90
	Over 500,000 gallons			3.30

**SERVICE LINE AND METER INSTALLATION CHARGES:**  
**(Refundable Pursuant to A.A.C. R14-2-405)**

15				Staff	Staff	Staff
16		Current	Company's	Recommended	Recommended	Recommended
		<u>Charges</u>	<u>Proposed Charges</u>	<u>Service Line</u>	<u>Meter</u>	<u>Total Charges</u>
17	5/8" x 3/4" Meter	\$450.00	\$450.00	\$360.00	\$90.00	\$450.00
	3/4" Meter	500.00	500.00	360.00	140.00	500.00
	1" Meter	565.00	565.00	380.00	185.00	565.00
18	1-1/2" Meter	800.00	800.00	415.00	385.00	800.00
	2" Meter	1,390.00	1,390.00	560.00	830.00	1,390.00
19	3" Meter	1,990.00	1,990.00	720.00	1,270.00	1,990.00
	4" Meter	3,055.00	3,055.00	1,040.00	2,015.00	3,055.00
20	6" Meter	5,650.00	5,650.00	1,590.00	4,060.00	5,650.00

	Present Rates	Proposed Rates Company	Proposed Rates Staff
21			
22	<b><u>SERVICE CHARGES:</u></b>		
	Establishment	\$25.00	\$25.00
23	Establishment (After Hours)	40.00	40.00
	Reconnection (Delinquent)	30.00	30.00
24	Meter Test (If Correct)	25.00	25.00
	Deposit	0.00	*
25	Deposit Interest	0.00%	0.00%
	Reestablishment (Within 12 Months)	0.00	**
26	NSF Check	\$25.00	\$30.00
	Deferred Payment (Per Month)	1.50%	1.50%
27	Meter Reread (If Correct)	20.00	20.00

**MONTHLY SERVICE CHARGE FOR FIRE SPRINKERS:**

4" or Smaller	\$0.00	\$0.00	***
6"	0.00	0.00	***
8"	0.00	0.00	***
10"	0.00	0.00	***
Larger than 10"	0.00	0.00	***

\* Per Commission rule A.A.C. R-14-2-403(B).

\*\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

\*\*\* 2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

9. Staff determined Winchester's original cost rate base ("OCRB") to be \$143,845, which is the same as its fair value rate base ("FVRB"). This is a \$902 increase to Winchester's proposed OCRB of \$142,943, due to Staff's adjustments to land, accumulated depreciation and working capital.

10. Staff made several adjustments to Winchester's proposed test year operating loss, resulting in a decrease of \$4,113, from \$(8,190) to \$(4,077). The decrease to Winchester's test year operating loss is due to a number of expense adjustments to repairs and maintenance, water testing and depreciation expense.

11. Based on Staff's analysis, Winchester's present water rates and charges produced operating revenues of \$41,367 and adjusted operating expenses of \$45,444, which resulted in operating income of \$(4,077), for no return on its FVRB during the test year.

12. The rates and charges proposed by Winchester would produce operating revenues of \$70,102, and operating expenses of \$49,557, resulting in an operating income of \$20,545, or a 14.37 percent rate of return on its proposed \$142,943 FVRB, and an operating margin of 29.31 percent.

13. The water rates and charges Staff recommended would produce operating revenues of \$60,342 and adjusted operating expenses of \$45,444, resulting in operating income of \$14,898, or a 10.36 percent rate of return on Staff's recommended \$143,845 FVRB and an operating margin of 24.69 percent.

14. Winchester's proposed rate schedules would increase the average monthly residential customer on a 5/8" x 3/4" meter water bill by \$16.94, or 70.4 percent, from \$24.05 to \$40.99, and increase the median monthly residential customer water bill by \$16.50, or 71.3 percent, from \$23.15 to \$39.65.

1        15. Staff's proposed rate schedules would increase the average monthly residential  
2 customer on a 5/8" x 3/4" meter water bill by \$7.25, or 30.1 percent, from \$24.05 to \$31.30, and  
3 increase the median monthly residential customer water bill by \$2.47, or 10.7 percent, from \$23.15 to  
4 \$25.62.

5        16. The Company did not file any objections to Staff's recommended rates and charges.  
6 Accordingly, we find Staff's proposed rates and charges reasonable and we adopt them.

7        17. In addition to the above recommendations, Staff also made the following  
8 recommendations:

- 9            (a) Winchester shall file with Docket Control, as a compliance item in this docket,  
10 a schedule of its approved rates and charges within 30 days of the effective  
11 date of this Order.  
12            (b) Winchester may collect from its customers a proportionate share of any  
13 privilege, sales or use tax as provided for in A.A.C. R14-2-409(D).  
14            (c) Winchester shall adopt the depreciation rates by individual National  
15 Association of Regulatory Utility Commissioners category shown in the  
16 attached Exhibit 'A.'

17        18. According to Staff, Winchester's current system can adequately serve its present  
18 customer base and any reasonable growth.

19        19. The Arizona Department of Environmental Quality ("ADEQ") has determined that  
20 Winchester is in full compliance with ADEQ requirements and is currently delivering water that  
21 meets water quality standards required by A.A.C., Title 18, Chapter 4.

22        20. Winchester is not within an active management area ("AMA"), and is not subject to  
23 the AMA monitoring and reporting requirements.

24        21. Staff stated it received an Arizona Department of Water Resources compliance report  
25 on June 23, 2010, indicating that the Company is currently in compliance with departmental  
26 requirements governing water providers and/or community water systems.

27        22. According to Staff, Winchester is in compliance with Commission filing requirements,  
28 and is in good standing with the Corporations Division of the Commission.

      23. Staff's review of the Commission's Consumer Services records showed no  
complaints, one inquiry and no opinions filed against the Company in the past three years.

24. Winchester has approved Curtailment and a Backflow Prevention Tariffs filed with the Commission.

25. Staff's recommendations stated in Findings of Fact No. 17 are reasonable and should be adopted.

26. In Decision No. 70291 (April 27, 2008), the Commission directed the Company to file annually, as part of its annual report, affidavits with the Utilities Division attesting that it is current on payment of its property taxes. We believe it is reasonable to require Winchester to continue to do so.

### CONCLUSIONS OF LAW

1. Winchester is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-301, 40-302, and 40-303.

2. The Commission has jurisdiction over Winchester and the subject matter of the Application.

3. Notice of the Application was given in accordance with Arizona law.

4. The rates and charges authorized herein are just and reasonable and should be approved without a hearing.

5. Staff's recommendations as set forth in Findings of Fact No. 17 as well as Finding of Fact No. 26 are reasonable and should be adopted.

### ORDER

IT IS THEREFORE ORDERED that Winchester Water Company, LLC, is hereby directed to file with Docket Control, as a compliance item in this docket, by November 30, 2010, revised rate schedules setting forth the following rates and charges:

#### MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$13.50
3/4" Meter	20.25
1" Meter	33.75
1-1/2" Meter	67.50
2" Meter	108.00
3" Meter	216.00
4" Meter	337.50
6" Meter	675.00

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**COMMODITY RATE CHARGE**

(Per 1,000 Gallons)

5/8" x 3/4" Meter

0 - 3,000 gallons	\$1.00
3,001 - 10,000 gallons	1.90
Over 10,000 gallons	3.30

3/4" Meter

0 - 3,000 gallons	1.00
3,001 to 10,000 gallons	1.90
Over 10,000 gallons	3.30

1" Meter

0 - 20,000 gallons	1.90
Over 20,000 gallons	3.30

1-1/2" Meter

0 to 45,000 gallons	1.90
Over 45,000 gallons	3.30

2" Meter

0 to 76,000 gallons	1.90
Over 76,000 gallons	3.30

3" Meter

0 to 155,000 gallons	1.90
Over 155,000 gallons	3.30

4" Meter

0 to 250,000 gallons	1.90
Over 250,000 gallons	3.30

6" Meter

0 to 500,000 gallons	1.90
Over 500,000 gallons	3.30

**SERVICE LINE AND METER INSTALLATION CHARGES:**

(Refundable Pursuant to A.A.C. R14-2-405)

	<u>Service Line</u>	<u>Meter</u>	<u>Total Charges</u>
5/8" x 3/4" Meter	\$360.00	\$90.00	\$450.00
3/4" Meter	360.00	140.00	500.00
1" Meter	380.00	185.00	565.00
1-1/2" Meter	415.00	385.00	800.00
2" Meter	560.00	830.00	1,390.00
3" Meter	720.00	1,270.00	1,990.00
4" Meter	1,040.00	2,015.00	3,055.00
6" Meter	1,590.00	4,060.00	5,650.00

**SERVICE CHARGE:**

Establishment	\$25.00
Establishment (After Hours)	40.00
Reconnection (Delinquent)	30.00
Meter Test (If Correct)	25.00
Deposit	*
Deposit Interest	*



1	Reestablishment (Within 12 Months)	**
	NSF Check	\$30.00
2	Deferred Payment (Per Month)	1.50%
	Meter Reread (If Correct)	20.00

**MONTHLY SERVICE CHARGE FOR FIRE SPRINKERS:**

4	4" or Smaller	***
	6"	***
5	8"	***
	10"	***
6	Larger than 10"	***

7       \*       Per Commission rule A.A.C. R-14-2-403(B).

8       \*\*       Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

9       \*\*\*       2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

10       IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service provided on and after December 1, 2010.

11       IT IS FURTHER ORDERED that Winchester Water Company, LLC, shall notify its  
12 customers of the rates and charges authorized herein and their effective date, in a form acceptable to  
13 the Commission's Utilities Division Staff, by means of an insert in its next regularly scheduled  
14 billing.

15       IT IS FURTHER ORDERED that in addition to collection of its regular rates and charges,  
16 Winchester Water Company, LLC, shall collect from its customers a proportionate share of any  
17 privilege, sales or use tax per A.A.C. R14-2-409(D).

18       IT IS FURTHER ORDERED that Winchester Water Company, LLC, shall use the  
19 depreciation rates by individual National Association of Regulatory Utility Commissioners category  
20 shown in the attached Exhibit 'A.'

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1 IT IS FURTHER ORDERED that Winchester Water Company, LLC, shall continue to file  
2 annually, as part of its annual report, an affidavit with the Commission's Utilities Division attesting  
3 that it is current in paying its property taxes in Arizona.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.  
6  
7

8 CHAIRMAN

COMMISSIONER

10 COMMISSIONER

COMMISSIONER

COMMISSIONER

11 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
12 Executive Director of the Arizona Corporation Commission,  
13 have hereunto set my hand and caused the official seal of the  
14 Commission to be affixed at the Capitol, in the City of Phoenix,  
15 this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

16 \_\_\_\_\_  
17 ERNEST G. JOHNSON  
18 EXECUTIVE DIRECTOR

19 DISSENT \_\_\_\_\_  
20

21 DISSENT \_\_\_\_\_  
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1 SERVICE LIST FOR: WINCHESTER WATER COMPANY, LLC

2 DOCKET NO.: W-04081A-10-0173

3

4 Phil Auernheimer  
WINCHESTER WATER COMPANY, LLC  
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## EXHIBIT "A"

Table B. Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	---	---

## NOTES:

- These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.
- Acct. 348, Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.